

of the favourite modes of investment of foreign banks and financial firms, since upon the permanent value of these documents rests no shade of doubt.

If, then, a period of financial and commercial stress should on any occasion occur in a foreign country—an imminent war or industrial discredit and distress—a source of supply of the gold that may be rendered necessary to fortify commercial houses or secure the retrieval of mercantile confidence is readily provided by the conversion of these bills into metal. The Eeserve of the Bank of England is thus the fund whence the world may draw.

But the maintenance of our own national financial soundness depends upon the retention of this fund upon a level proportioned to the range of our own liabilities; and this honourable duty, custom and tradition have confided to the responsibility of the Bank of England. A simple tradition of practice alone; for neither by legislative enactment, nor by formal and official recognition of the trust, has the Bank admitted or accepted the obligation. The performance of this duty thus affords a happy and memorable instance of deferring, not infrequently, the private gains of a corporation to the higher office of a public service.

Dealing with the mode of preserving the Keserve a homely illustration may be cited. If we desire to keep people to a certain place or course we effect our wishes by rendering that place and course more attractive than the inducements which exist elsewhere. In the same way the Bank retains the Eeserve by making it more profitable to the holders of gold and to those who can command its possession, to employ their funds in England than to transfer them abroad. This course possesses the threefold merit of preventing gold from leaving the country; attracting back the gold that has already disappeared, and inducing gold which exists in foreign monetary centres. Instead of the cash proceeds of debts due to merchants abroad being remitted thither for use, the Bank is enabled to secure their retention here.

The instrument for this purpose is a rise in the rate of interest—the minimum bank-rate, as it is termed—at

which the Bank will make advances and discount bills of exchange.